

(1\$=CNY 6.24)

1. Weekly News Headlines

- 2013-2014 China Propylene Oxide Market Overview
- Arsenal Capital Buys Two US PU Producers
- BASF Presents Ultramid® for Flexible Packaging Films Derived from Renewable Raw Materials
- Cannon Plans to Illustrate PU Processing Innovations at Brazil's Feipur Expo
- Clariant Completes Sale of Leather Services Business to Stahl
- H.B. Fuller Opens Adhesive Manufacturing Plant in Colombia
- LANXESS Increases Prices for Inorganic Pigments
- PU Production in the Americas to Grow by 2018

2. Weekly Market Analyses

2.1 Summary

Weekly Summary

China propylene oxide market edges up this week despite range-bound trading propelled by unplanned shutdown at one major in Zhejiang province and delay or defect of new supply from some new capacities in Jilin and Shandong province, according to market sources.

Spot propylene oxide prices rise up by RMB300-500/ton to RMB12600-13000/ton depending on regions compared with last week amid concerns that new supply will not come to the market recent, especially the 300 kt HPPO project in Jilin province, who declared that it would supply stocks in this month.

The PO/SM manufacturer with capacity of 285 kt per year in east China shut down its facilities on May 6 and managed to restart on May 8; this producer also plans almost two months annual turnaround starting on May 13 till early July, causing more than 50000 tons loss of propylene oxide supply. In addition, the supplier raises quotations by RMB300/ton to RMB13300/ton on EXW and cash payment on Friday afternoon, citing supply is tight.

Other new capacities, though player did not indicate the specific one, suffer from quality defects and it takes sometime to resolve before supplying stocks to the market.

Market availability keeps good in the market on others' normal production; there are some imported stocks at ports in east China but these holders would not like to sell stocks on higher bought-prices during previous months. For new trading, no quotations can be sought in the market both for duty-free and dutiable sources while one insider indicated that USD1700/ton on CIF basis is the reasonable level based on current domestic prices.

China New Capacities

- ✓ CNOOC Fine Chemical said it operates two propylene oxide plants regularly with 80% ratio and it hikes offer by RMB200/ton to RMB12600/ton on EXW and bank draft payment. The manufacturer transferred epichlorohydrin (ECH) to PO production and started the first 32 kt plant in March and the other 30 kt in April.
- ✓ Shandong Daze is operating its 50 kt plant regularly with daily output at 200 tons.

Asia Production News:

- ✓ Saudi Arabia PetroRabigh has shut down its propylene oxide facilities on Apr. 14 for 40 days scheduled maintenance, confirmed by wide sources in China.

However, some polyols traders based in Saudi Arabia said they did not hear the maintenance.

The facilities have a nameplate capacity of 200 kt per year in Rabigh, Saudi Arabia.

- ✓ Japan Sumitomo plans to shut down its PO/SM facilities on May 1 for scheduled maintenance lasting for about 55 days, according to some sources.

The manufacturing company Nihon Oxirane Co. (NOC) was transferred to a wholly owned subsidiary of Sumitomo Chemical after the later acquired 60% share from Lyondell at the end of last year.

The PO/SM plant has effective capacity of 180 kt per year; the company the other 200 kt per year facilities in Chiba is operating regularly.

Table 1: Propylene Oxide Price Comparison between Weeks (RMB/ton, Delivery)

Date	E-China	N-China	North East	USD (CIF China)
This Week	12800-13000	12600-12800	12800-13000	--
Last Week	12300-12600	12300-12500	12300-12500	--
Fluctuation	500, 400	300, 300	500, 500	--

Notes: ①Shandong belongs to North China and East China mainly refers to Zhejiang, Jiangsu and Shanghai;

②n/c refers to "No Change";

③--refers to no prices heard

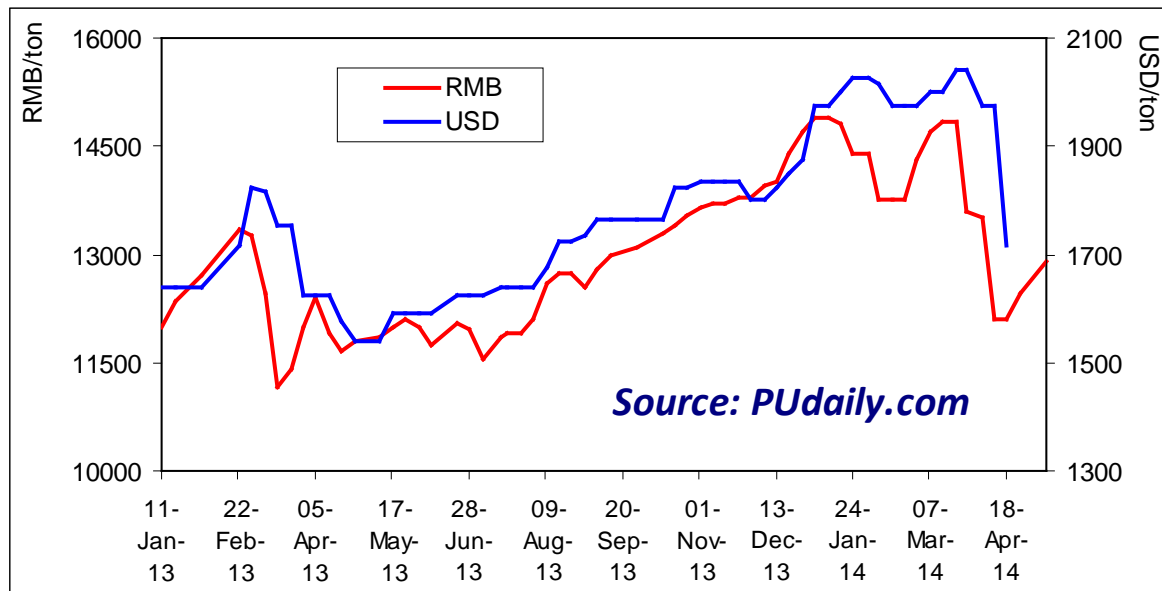
Table 2: China PO Facilities Latest Movement

Suppliers	Locations	Capacity (Ktpa)	Remarks
CNOOC and Shell Petrochemicals Company Limited (CSPC)	Huizhou	320	95% loads
Wudi Xinyue Chemical Co., Ltd.	Binzhou	300	80% loads
Ningbo ZRCC Lyondell Chemical Co., Ltd.	Ningbo	285	Shut down on May 6 unexpectedly and restarted on May 8 and now is ramping up
Shandong Befar Group Co., Ltd.	Binzhou	280	95% loads
Shandong Jinling Chemical Co., Ltd.	Dongying	160	90% loads
Shandong Sanyue Group Co., Ltd	Dongying	160*	90% loads
Tianjin Dagu Chemical Co., Ltd.	Tianjin	150	95% loads
Fangda Jinhua Chemical Technology Co., Ltd.	Huludao	120	90% loads
Nanjing KUMHO GPRO Chemical Co., Ltd.	Nanjing	100	90% loads
Shandong Bluestar Dongda Chemical Industry Co., Ltd	Zibo	80	90% loads
Shandong Shida Shenghua Chemical Co., Ltd.	Dongying	70	Shut down on May 4 for maintenance till May 13
CNOOC Fine Chemical Co., Ltd.	Shandong	62*	80% loads
Meizhouwan Chlor-alkali Chemical Industry Co., Ltd.	Quanzhou	40	80% loads

Notes: ① Shandong Sanyue started up its new 80 kt propylene oxide facilities in April its total capacity has increased to 160 kt per year accordingly.

② CNOOC Fine Chemical started its 32 kt and 30 kt propylene oxide facilities in March and April respectively; these facilities are transferred from epichlorohydrin (ECH) production

Graph 1: Propylene Oxide Weekly Price Trend from 2013 to 2014



Notes: ①RMB Price: East China; ②USD Price: Spot Price

2.2 Quotes from Suppliers

Table 3: Quotes From Domestic Suppliers (RMB/ton)

Producers	Capacity (Ktpa)	This Week	Four Weeks Ago	Fluctuation	Remark
Ningbo ZRCC Lyondell Chemical	285	13300	12500	800	Cash, EXW
Shandong Befar Chemical Co., Ltd	280	12800*	12100	700	Bank draft, EXW
Tianjin Dagu Chemical Co., Ltd	150	12600	12400	200	30% cash and 70% on bank draft; EXW
Fangda Jinhua Chemical Technology Co., Ltd	120	12800	12100	700	Bank draft, EXW
Nanjing KUMHO GPRO Chemical Co., Ltd	100	13200	12800	400	Cash, EXW

Notes: Shandong Befar does not offer prices on this Friday and RMB12800/ton is its offer in Thursday

Table 4: Quotes From Oversea Suppliers (USD/ton, CIF China)

Place of Origin	This Week Price	Four Weeks Ago	Fluctuation
Thailand/Singapore/Saudi Arabia	--	1980-2100	--

Notes: ① RMB Cost=USD CIF price *(1+17%)*(1+5.5%) *Exchange Rate+ Import Port Charge (Only available for calculating the costs of China PO imports. 17%: VAT rate; 5.5%: Import duty rate but Singapore with zero duty). ②n/c refers to "No Change". ③--refers to no offer heard

3. Weekly Analysis of Upstream Feedstock and Relevant Products

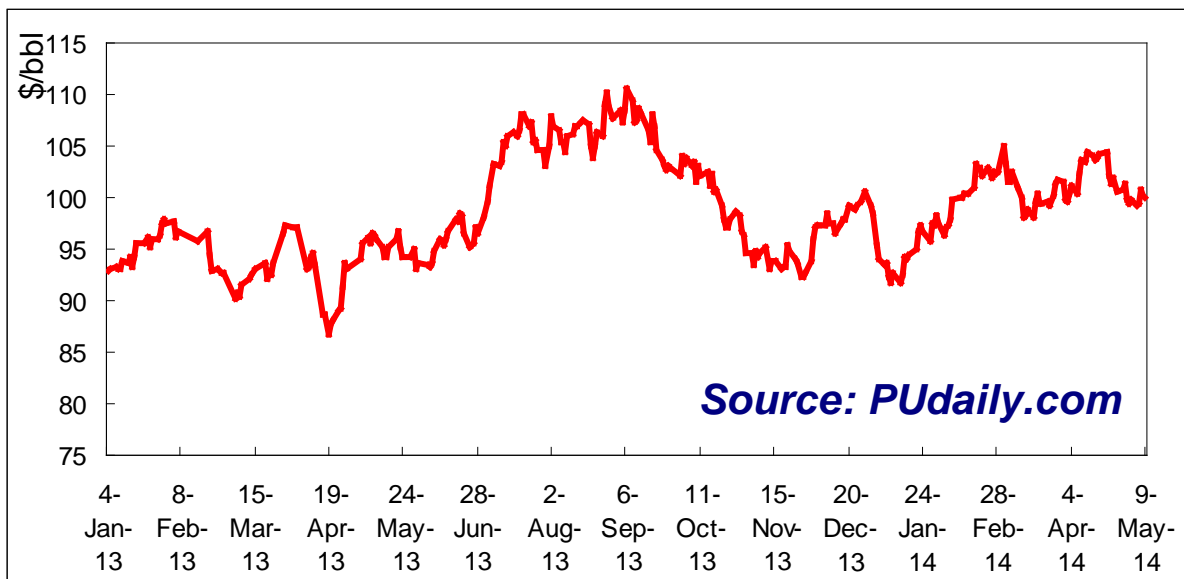
3.1 Crude Oil

Table 5: Weekly Crude Oil Pricing (\$/bbl)

Date	NYMEX WTI	ICE Brent	OPEC(Package)
2014-05-09	100.26	108.04	103.69
2014-04-30	101.28	108.98	105.43
Fluctuation	-1.02	-0.94	-1.74

Notes: prices for future contract

Graph 2: WTI Crude Oil Price Trend from 2013 to 2014



3.2 Propylene

Spot propylene prices in Shandong province are set at RMB9900-9950/ton on weakening demand while USD prices are heard at USD1424-1426/ton on CFR China.

Table 6: Weekly Propylene Pricing Comparison

Date	Shandong (RMB/ton)	CFR PRC (USD/ton)
2014-05-09	9900-9950	1424-1426
2014-04-25	9950-10000	1419-1421
Fluctuation	-50, -50	5, 5

3.3 Liquid Chlorine

Domestic liquid chlorine suppliers mostly hold on firm quotations and spot prices increase to RMB850-1000/ton on Friday.

Table 7: Liquid Chlorine Pricing in Shandong (RMB/ton)

Date	Shandong
2014-05-09	850-1000
2014-04-25	700-900
Fluctuation	150, 100

4. PO Import and Export Analysis

China propylene oxide imports in this March under the HS code of 29102000 were 39,255 tons, increasing slightly by 2.18% compared with 38,419 tons in this Feb and by 18.07% over 33,248 tons in last Mar., according to PUdaily im & export data.

From January to March, China totally imported 134,358 tons, posting an increase of 54.86% compared with the same period of 2013 while exports remained zero in the first three months in

this year compared with 93 tons in 2013.

According to Suntower Analyst, imports from Thailand and Singapore surged to 15,202 tons and 16,540 tons in March over 9,614 tons and 12,588 tons in February, making up the supply loss from America and Saudi Arabia, supply from which declined to zero and 1,100 tons due to either rising demand at home or facilities maintenance.

Regarding importers, Dow Chemical (Zhangjiagang) remained the largest importers with volume at 8,701 tons, followed by Zhejiang Pacific (3,800 tons), Changshu Huihai (3,446 tons).

For domestic polyols manufacturers, Wanhua Chemical imported 1,906 tons, Jiangsu Zhongshan Chemical imported 1,531 tons, Jurong Ningwu imported 1,031 tons and Kukdo imported 1,000 tons.

Table 8: China PO Import Data from January to March, 2014 (Tons)

Month	Imports
Jan-14	56,684
Feb-14	38,419
Mar-14	39,255
Total	134,358

Table 9: China PO Imports Origins in March, 2014 (Tons)

Origins	Singapore	Thailand	Japan	Netherlands	Saudi Arabia	Total
Volume	16,540	15,202	3,412	3,001	1,100	39,255

Table 10: Korea PO Import Data from January to March, 2014 (Tons)

Month	Singapore	Japan	Thailand	Total in 2014	Growth Rate Year on Year
Jan-14	6,874	5,995	3,046	15,915	-15.64%
Feb-14	4,428	8,446	3,597	16,471	25.47%
Mar-14	5,906	6,172	4,388	16,466	2.31%

Table 11: Japan PO Export Data from January to March, 2014 (Tons)

Month	S Korea	China	Total in 2014	Growth Rate Year on Year
Jan-14	10,496	4,995	15,491	76.01%
Feb-14	10,494	4,498	14,992	66.63%
Mar-14	9,175	3,412	12,587	-21.30%

5. Market Forecast

China propylene oxide market is expected to be range-bound since its uptrend is curbed by actually weak demand and the steam could be run out with bullish headlines becoming quite later.

ZRCC Lyondell is going to undergo long term maintenance since next Tuesday till July, but domestic supply will not be tight considering regular manufacturing at other counterparts.

Notes:

This report is only for reference and no responsibilities or liabilities will be accepted by PUdaily for commercial decisions claimed to have been based on the content of the report.

Any form of replication without permission from PUdaily (www.pudaily.com) is strictly forbidden. If you have any question, please contact us at:

Tel: 0086-21- 61250980

E-mail: pudaily@chem366.cn

Fax: 0086-21-61159277